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TO RUEHC/SECSTATE WASHDC IMMEDIATE 4443
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 RIGA 000782

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E.O. 12958: DECL: 10/19/2017
TAGS: [PGOV](#) [PINR](#) [LG](#)
SUBJECT: LATVIAN POLITICS TURNS WEIRD; FM RESIGNS, PM

REFUSES TO ACCEPT

REF: RIGA 778 AND PREVIOUS

Classified By: Charge d'affaires a.i. Stuart M. Seldowitz. Reason: 1.4
(d)

¶1. (C/NF) Summary: Latvia's internal political machinations took a bizarre turn on October 19. FM Pabriks submitted his resignation, telling the Ambassador that he had "lost trust" with the current cabinet. But PM Kalvitis refused to accept the resignation and Pabriks is, in effect, hostage in the cabinet. At the same time, regional development/local government minister Stokenbergs, traveling in Spain was kicked out of the People's Party and the PM demanded his resignation. Both men are likely to resume their seats in parliament, which would change the coalition math in the legislature. The PM is trying hard to project an air of at least moderate stability and suggesting that any changes in government will be managed. But it is not clear that the various forces pushing on his government can be held back that long. Our best guess is that the government will be able to hang on for a few weeks, but that could very easily change. The dismissal of anti-corruption chief Loskutovs, ostensibly the cause for much of the turmoil will likely be left to the side while the political issues are worked out. End summary.

¶2. (C) Following his October 18 announcement that he now opposed the cabinet decision to recommend dismissal of anti-corruption chief Loskutovs (reftel), FM Pabriks submitted his resignation October 19. Pabriks informed the Ambassador that he had "lost trust" with PM Kalvitis' current cabinet. Kalvitis, however, refused to accept the resignation. Kalvitis said that Pabriks needs to finish what he started, especially bringing the Latvia-Russia border treaty in to force. Pabriks has accepted that he must stay on, but has cancelled planned foreign travel and announced that he will go to work on Monday with no enthusiasm. Andris Pelss, foreign policy advisor to President Zatlers, told Charge that the President called in his legal advisor to ask about Pabriks' status. The advisor confirmed that Pabriks remains FM until such time as new FM is approved by Saeima. Previously, though, ministers who resigned simply stayed away from work. The advisor said this is an unprecedented and unforeseen situation.

¶3. (C) While rejecting Pabriks' resignation, Kalvitis demanded the resignation of Aigars Stokenbergs, Minister for Regional Development and Local Government. Stokenbergs has been critical of the leaders of the People's Party to which he, Kalvitis and Pabriks all belong. His criticism has most notably been directed at former PM Andris Skele, who remains the "godfather" of the People's Party and is considered one of Latvia's oligarchs. On the morning of 19th, with Stokenbergs in Spain, the board of the People's Party expelled Stokenbergs from the party. Kalvitis called him to inform and demand his resignation. Stokenbergs has said he

will not cut short his trip, but will resign when he returns October 23. In meetings with Embassy personnel over the past 2 - 3 months, Stokenbergs made clear that he understood his days as minister were numbered after taking on Skele and that he expected either to leave People's Party or be thrown out, so today's actions would not have been a total surprise to him.

¶4. (U) Other members of People's Party and of the coalition are expressing varying levels of support for Kalvitis. Some are saying he should go now, others are saying that the 2008 budget should be passed first, but few are voicing outright support for the embattled PM. Kalvitis himself is urging that the government and parliament finish the 2008 budget first, and then consider the possibility of changes to government.

¶5. (C/NF) Pol/Econ chief had a previously planned meeting with Jurgis Liepnieks, former chief of staff to PM Kalvitis, as all of this played out. Liepnieks, who is on the outs with People's Party for testifying against Skele in a criminal case, has long been close to Stokenbergs. During the meeting, it became clear that he is also working with Pabriks, who called to seek Liepnieks' advice when Kalvitis refused to accept the resignation. Liepnieks said that both Pabriks (who has not yet resigned from the party but is likely to do so) and Stokenbergs would resume their seats in parliament (in Latvia, they are traditionally given up when joining the cabinet, but the individual can always take it back), which would reduce People's Party to 21 seats and the coalition to 55 out of 100. Liepnieks said that sacking Stokenbergs and refusing to accept Pabriks' resignation were "stupid moves" that make People's Party look weak. In his mind, at least, both are clear evidence that Skele is calling the shots in People's Party at the moment.

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¶6. (C/NF) We also met recently resigned Saeima speaker Indulis Emsis on October 18. At that time, he already thought that the coalition was in trouble. He suggested that there was a possibility that leftist party Harmony Center (SC) could be brought into government, although bringing in what many view as a "Russian" party would be difficult for many coalition voters to accept. Liepnieks also thought SC could be invited to join government, but said that with the coalition parties as weakened as they are by scandal and bad economic news, they would try to avoid that. The first choice would be to keep the current coalition in place. Next would be to invite in New Era. In the former, a new PM would be needed, Liepnieks said, but in a coalition with New Era he saw possibilities for Kalvitis to continue in office.

¶7. (C/NF) Comment: The Kalvitis government has always tried to avoid "messy" situations, often delaying difficult issues until they can be resolved behind the scenes. That makes today's actions especially surprising because the party is airing its dirty laundry for all to see. One person we spoke to speculated that Kalvitis refused to accept Pabriks' resignation so that the FM would be forced to stick around and go out with the entire cabinet as one. Whatever the proximate cause, the reality is that these moves have been coming for some time. Party leadership planned to dump Pabriks after the last election but he was the highest vote getter in the party behind Kalvitis and is currently its most popular minister. Pabriks has used that popularity to go his own way on many issues, often becoming a thorn in the PM's side. The rejection of his resignation is likely borne of pique, with Kalvitis unwilling to let Pabriks leave on his terms, but it will leave the PM with a vocal critic in the cabinet. Stokenbergs, once being groomed for PM, has grown disillusioned in recent months and has been increasingly critical of the party and Skele in particular. He made no secret of his displeasure with the choice of Zatlers as

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president and refused to attend the inaugural ball, instead attending a counter-inauguration for Zatlers' rabbit. Interestingly, Stokenbergs has since built a good relationship with Zatlers, and the President's Chief of Staff recently told the Ambassador that Stokenbergs would be Zatlers' choice for PM, but there is no way he could get the necessary support in parliament.

18. (C/NF) Comment, contd.: So, what next? No one in Latvia really seems to know. Most, if not all, of the seven parties in parliament have serious internal difficulties that would complicate any coalition negotiations. Many of Latvia's elite recognize that Kalvitis, while far from perfect, is much better than some of the other likely choices for PM. So, it is not out of the realm of possibility that he could remain as PM, either with a remade cabinet or even a new coalition. We think that right now political leaders believe they can hold the current government together long enough to pass a new budget, which could be done in as few as three weeks, then turn to forming a stable government. And while this is sorted out the dismissal of anti-corruption chief Loskutovs, in many ways the proximate cause of the current situation, will be "investigated" and further parliamentary action likely delayed until the political situation is worked out. But while party leaders and elites engage in back room discussion and strategy sessions, the average Latvian is growing increasingly frustrated by what they view as politics as normal. If the current situation is allowed to drag on indefinitely, more actions like the October 18 protest are likely, which would put pressure on the government to make changes sooner. Already various unions are planning protests against the new budget, which they think does too little for wages of teachers, police, and health care workers. This government may not like a mess, but that is exactly what it has.

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